

Financial Statements

**Western Sky Land Trust Society**  
December 31, 2023

# Independent auditor's report

To the Members of  
**Western Sky Land Trust Society**

## Opinion

We have audited the accompanying financial statements of **Western Sky Land Trust Society** [the "Society"], which comprise the statement of financial position as at December 31, 2023 and the statement of operations and changes in fund balances and the statement of cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial present fairly, in all material respects, the financial position of the Society as at December 31, 2023, and results of its operations and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for audit of the financial statement* section of our report. We are independent of the Society in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

## Auditor's responsibility responsibilities for audit of the financial statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Canada  
May 22, 2024

*Ernst & Young LLP*

Chartered Professional Accountants




Western Sky Land Trust Society

STATEMENT OF FINANCIAL POSITION

As at December 31

	<u>2023</u>		<u>2022</u>	
	General Fund \$	Projects Fund \$	Total \$	Total \$
<b>ASSETS</b>				
<b>Current</b>				
Cash	317,476	308,111	625,587	134,728
Short-term investments	992,915	1,257,085	2,250,000	1,350,000
Goods and services tax recoverable	4,723	—	4,723	4,130
Accounts receivable	36,330	—	36,330	14,751
<b>Total current assets</b>	<b>1,351,444</b>	<b>1,565,196</b>	<b>2,916,640</b>	<b>1,503,615</b>
Long-term investments	—	3,502,401	3,502,401	3,132,467
Conservation easements [note 3]	—	16,464,500	16,464,500	16,447,500
Conservation lands [note 4]	—	8,443,243	8,443,243	8,443,243
	<b>1,351,444</b>	<b>29,975,340</b>	<b>31,326,784</b>	<b>29,526,825</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	26,986	20,222	47,208	32,254
<b>Total current liabilities</b>	<b>26,986</b>	<b>20,222</b>	<b>47,208</b>	<b>32,254</b>
Leveraging commitments [note 5]				
<b>Fund balances</b>				
Internally restricted [note 2]	—	3,502,401	3,502,401	3,132,467
Externally restricted [note 2]	—	1,544,974	1,544,974	1,119,859
Internally restricted net assets invested in conservation lands and easements	—	24,907,743	24,907,743	24,890,743
Unrestricted	1,324,458	—	1,324,458	642,854
<b>Total fund balances</b>	<b>1,324,458</b>	<b>29,955,118</b>	<b>31,279,576</b>	<b>29,494,571</b>
	<b>1,351,444</b>	<b>29,975,340</b>	<b>31,326,784</b>	<b>29,526,825</b>

See accompanying notes  
On behalf of the Board:

  
Director

  
Director

Western Sky Land Trust Society

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

For the year ended December 31

	2023		2022
	General Fund	Projects Fund	Total
	\$	\$	\$
<b>Revenue [note 8]</b>			
Donations	21,652	—	1,980,591
Donations in kind [note 6]	86,880	—	84,812
Grants	217,424	654,722	209,920
Investment income	153,415	32,269	131,915
Legacies and bequests	674,000	385,000	—
Unrealized gain (loss) on investment portfolio	261,003	—	(412,444)
Realized gain on investment portfolio	36,804	—	14,752
Land lease income	11,963	—	15,863
Memberships	1,597	—	1,901
	<b>1,464,738</b>	<b>1,071,991</b>	<b>2,027,310</b>
<b>Expenses</b>			
Administration [notes 6 and 7]	303,275	193,438	452,481
Land evaluation and acceptance [note 8]	11,858	79,288	13,139
Outreach and awareness	7,765	1,115	3,942
Fund development and membership	285	—	—
Land operations and management	538	136,731	139,137
Grant repayments [note 9]	—	17,431	381,566
	<b>323,721</b>	<b>428,003</b>	<b>990,265</b>
<b>Excess of revenue over expenses for the year</b>	<b>1,141,017</b>	<b>643,988</b>	<b>1,037,045</b>
Fund balances - beginning of year	642,854	28,851,717	28,457,526
Transfers between funds	(459,413)	459,413	—
<b>Fund balances - end of year</b>	<b>1,324,458</b>	<b>29,955,118</b>	<b>29,494,571</b>

See accompanying notes

Western Sky Land Trust Society

STATEMENT OF CASH FLOWS

For the year ended December 31

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	1,785,005	1,037,045
Items not affecting cash		
Unrealized (gain) loss on investment portfolio	(261,004)	412,444
Realized gain on investment portfolio	(36,804)	(14,752)
Donation of conservation easement	—	(1,900,000)
	<u>1,487,197</u>	<u>(465,263)</u>
Net change in non-cash working capital items	<u>(7,212)</u>	<u>(6,009)</u>
<b>Cash provided by (used in) operating activities</b>	<u>1,479,985</u>	<u>(471,272)</u>
<b>INVESTING ACTIVITIES</b>		
Net change in short-term investments	(900,000)	464,400
Net change in long-term investments	(72,126)	(328,497)
Additions to conservation easements	(17,000)	(120,000)
<b>Cash (used in) provided by investing activities</b>	<u>(989,126)</u>	<u>15,903</u>
<b>Increase (decrease) in cash for the year</b>	<u>490,859</u>	<u>(455,369)</u>
Cash - beginning of year	<u>134,728</u>	<u>590,097</u>
<b>Cash - end of year</b>	<u>625,587</u>	<u>134,728</u>

*See accompanying notes*

## Western Sky Land Trust Society

### NOTES TO FINANCIAL STATEMENTS

December 31, 2023

#### 1. ORGANIZATION

The Western Sky Land Trust Society [the "Society"] was incorporated under the *Societies Act* on September 30, 2004 as a non-profit organization and is a registered charity under the *Income Tax Act*.

The Society was formed to champion the establishment and conservation of integrated open or natural areas principally within Southern Alberta with a focus on watershed lands in the Calgary region associated with agricultural, natural, heritage, scenic and recreational values. The Society operates directly with landowners and aims to achieve its objective mainly through donations, voluntary transfer of land and conservation easements, and the acquisition of conservation easements.

A conservation easement is a voluntary, legally-binding agreement which limits the amount and type of development that can occur on a property in order to preserve its environmental, recreational, scenic, educational, ecological research and agricultural qualities. The landowner continues to retain title to the property and all other rights of property ownership. While the terms of conservation easements vary, all preclude environmentally-damaging forms of development. Conservation easements are typically assigned in perpetuity, registered on title to the land.

Landowners may receive an income tax receipt from a registered charity for a fee simple land donation or a conservation easement to a registered charity. The value of the receipt associated with that donation is determined by a certified land appraiser and usually represents the difference in the appraised value of the property before and after the conservation restrictions are in place.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Organizations", which sets out generally accepted accounting principles for not-for-profit organizations and includes the significant accounting policies set out below.

##### **Fund accounting**

The Society uses the restricted fund method of accounting for contributions. Activities of the Society are segregated in the following funds:

- [a] The General Fund reports the Society's program delivery and administration activities.
- [b] The Projects Fund reports the assets, liabilities, revenue and expenses associated with the Society's conservation projects.

## **Western Sky Land Trust Society**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2023

Internally restricted funds represent amounts set aside by the Society's Board of Directors for conservation projects. These amounts are not available for other purposes without the approval of the Board of Directors.

The Projects Fund consists of contributions restricted by external parties that remain unspent at year end and restricted investment income to be used on land maintenance. These funds will be used for ongoing stewardship of the Society's capital assets in accordance with terms of the various grant agreements.

#### **Revenue recognition**

The Society follows the restricted fund method of accounting for contributions, which include grants and donations. Grants are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received because pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue in the General Fund when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are recorded in the Projects Fund when initially recognized in the accounts. Externally restricted endowment contributions, if any, are recognized in the Endowment Fund when initially recognized in the accounts.

Investment income consists of interest and dividends. Investment income earned on the Projects Fund resources that must be spent on grantor-restricted activities is recognized as revenue of the Projects Fund. All other investment income including the realized and unrealized gains and losses are recognized as revenue of the General Fund as they are not subject to an external restriction.

Land lease income and memberships are recognized in the General Fund when the services have been provided.

#### **Use of estimates**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations which requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.



## **Western Sky Land Trust Society**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2023

#### **Conservation lands and easements**

##### **[a] Conservation easements**

Purchased conservation easements are recorded at cost at the earlier of when title of the easement is registered to the Society or when the significant risks and rewards associated with ownership of the easement have transferred. Contributed conservation easements are recorded at fair value plus all costs directly related to the contribution at the earlier of when title of the property is registered to the Society or when the significant risks and rewards associated with ownership of the easement have transferred.

Conservation easements are not amortized.

##### **[b] Conservation land and other capital assets**

Purchased conservation land is recorded at cost at the earlier of when title of the property is registered to the Society or when the significant risks and rewards associated with ownership of the land have transferred. Contributed conservation land and other capital assets are recorded at fair value at the earlier of the date of contribution or when the significant risks and rewards associated with ownership of the property have transferred. Other capital assets are recorded at cost less accumulated amortization.

#### **Donated services and materials**

The Society records donations-in-kind with respect to materials and services donated when the estimated fair market value can be reasonably determined and would otherwise be purchased by the Society. Services donated to the Society through volunteer services are not reflected in the accounts as the fair value is not readily determinable.

#### **Financial instruments**

The Society initially measures financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost other than investments, net of any provision for impairment. All investments are subsequently measured at fair value. Realized and unrealized gains and losses are recognized as income in the appropriate fund. The financial assets subsequently measured at amortized cost include cash, accounts receivable and goods and services tax recoverable. The financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities.

The Society is not subject to significant credit, interest rate, or foreign exchange risks.

# Western Sky Land Trust Society

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### Impairment of conservation lands and easements

Conservation lands and easements are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the land or easement may not contribute to the Society's ability to provide services. Any impairment results in a write-down of the asset and a charge to income during the period. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

### 3. CONSERVATION EASEMENTS

Conservation easements consist of 12 projects [2022 – 12 projects] represented by 21,761 acres [2022 – 21,761 acres].

### 4. CONSERVATION LANDS

Conservation lands consist of 9 projects [2022 – 9 projects] represented by 1,308 acres [2022 – 1,308 acres].

### 5. LEVERAGING COMMITMENTS

The Society has been the recipient of various grants from the Alberta Minister of Environment and Protected Areas. The terms of these agreements stipulate the Society must commit to conserving landscapes with high conservation values. This is achieved through a leveraging commitment in the grant agreements. The spirit of grant agreements is to provide value to the province and people of Alberta.

### 6. DONATIONS-IN-KIND

Donations-in-kind include the following and are included within administration expenses:

	2023	2022
	\$	\$
Facilities fee	83,200	82,680
Legal services	3,680	2,132
	<u>86,880</u>	<u>84,812</u>

**Western Sky Land Trust Society**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2023

**7. FUNDRAISING EXPENSES**

As required under Section 7(2) of the Charitable Fund-Raising Regulation of Alberta, the Society discloses that direct expenses incurred for the purposes of soliciting contributions were \$nil [2022 – \$nil].

**8. RELATED PARTY TRANSACTIONS**

Switchback Spatial Solutions Ltd. is a company owned by a Director. This company provides Geographic Information Systems services to the Society. Transactions with this related party include:

	2023	2022
	\$	\$
Project expenses	4,700	7,750

All related party transactions are in the normal course of operations and are measured at the agreed upon exchange amount, which approximate fair value.

**9. GRANT REPAYMENTS**

Under the terms of one grant agreement, the Society was required to return \$17,431 to the grantor, the Alberta Minister of Environment and Protected Areas.

**10. FINANCIAL INSTRUMENTS**

**Price risk**

The Society is exposed to price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its long-term investments in equity securities.

**11. SUBSEQUENT EVENTS**

Subsequent to year end, the Society was approved for three new government grants totaling \$987,900.